

Elson Advocacy

July 6, 2020

BY EMAIL AND RESS

Ms. Christine Long

Board Secretary

Ontario Energy Board

2300 Yonge Street, Suite 2700, P.O. Box 2319

Toronto, Ontario M4P 1E4

Dear Ms. Long:

**Re: EB-2020-0094 - Harmonized System Expansion Surcharge, Temporary
Connection Surcharge and Hourly Allocation Factor**

Enclosed please find the interrogatories of Environmental Defence in the above matter.

Yours truly,



Kent Elson

cc: Parties in the above proceeding

EB-2020-0094
Enbridge Gas Inc.
Gas Grid Expansion Surcharges

Interrogatories of Environmental Defence

Interrogatory #1

Reference: Exhibit A, Tab 2, Schedule 1, Page 2

Questions:

- (a) Please provide a detailed description of the differences between a community expansion project, small main extension project, customer attachment project, and development project. Please address for each the regulatory treatment, approval method, criteria, relevant guidelines, and so on.

Interrogatory #2

Reference: Exhibit A, Tab 2, Schedule 1, Page 2

Preamble: The following questions relate, among other things, to the size of the financial risks associated with the various projects that would be impacted by this proposal.

Questions:

- (a) Please complete the following table for all approved community expansion projects that involved a System Expansion Surcharge and all community expansion projects that are currently under consideration that would involve a surcharge (for 2030).

Community Expansion Projects – Volumes and Revenues by 2030				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Approved Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Approved Projects				
Projects Under Consideration or Development				
Project 1 Name				
Project 2 Name				
...				

Project n Name				
Totals for Projects Under Consideration or Development				
Totals – All Projects				

(b) Please complete the following table for all approved community expansion projects that involved a System Expansion Surcharge and all community expansion projects that are currently under consideration or development that would involve a surcharge (up to the end of the economic lives of the projects).

Community Expansion Projects – Volumes and Revenues By the End of the Economic Life of the Projects				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Approved Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Approved Projects				
Projects Under Consideration or Development				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Projects Under Consideration or Development				
Totals – All Projects				

(c) Please complete the following table for all small main extension projects, customer attachment projects, and development projects that are currently under consideration or development that would involve a surcharge with data (for 2030). If these projects are too small to itemize or identify individually, please provide estimates of the total volumes, demand, and cost for each type of project for the relevant time period. Please explain Enbridge's assumptions.

Small Main Extension, Customer Attachment, and Development Projects – Volumes and Revenues By 2030

	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Small Main Extension Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Small Main Extensions				
Customer Attachment Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Customer Attachment				
Development Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Development Projects				
Totals – All Projects				

(d) Please complete the following table for all small main extension projects, customer attachment projects, and development projects that are currently under consideration or development that would involve a surcharge (up to the end of economic lives of the projects). If these projects are too small to itemize or identify individually, please provide estimates of the total volumes, demand, and cost for each type of project for the relevant time period. Please explain Enbridge's assumptions.

Small Main Extension, Customer Attachment, and Development Projects – Volumes and Revenues				
By the End of the Economic Life of the Projects				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Small Main Extension Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				

Totals for Small Main Extensions				
Customer Attachment Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Customer Attachment				
Development Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Development Projects				
Totals – All Projects				

- (e) Please estimate the total volume (m³/yr) of the small main extension projects, customer attachment projects, and development projects (separately and total) that Enbridge forecasts by (i) 2025, (ii) 2030, and (iii) 2035.
- (f) Please estimate the total design day demand (GJ/day) of the small main extension projects, customer attachment projects, and development projects (separately and total) that Enbridge forecasts by (i) 2025, (ii) 2030, and (iii) 2035.
- (g) Please estimate the capital costs of the small main extension projects, customer attachment projects, and development projects (separately and total) that Enbridge forecasts by (i) 2025, (ii) 2030, and (iii) 2035.

For the above questions, if forecasting is a challenge, please answer the question on a best-efforts basis and with any caveats as necessary. If the length of the time period is impossible, please explain why and answer the question over as long a time period as possible. If certain parts of the table or answer cannot be estimated, please explain why and complete as much of the table or answer as possible. Please make assumptions as necessary and state all assumptions. Please also provide all underlying calculations.

Interrogatory #3

Reference: Exhibit B, Tab 1, Schedule 1, Plus Appendix, Page 7

Questions:

- (a) Please approach insurers and ask for the cost of insurance to cover the risks faced by current customers from various gas expansion projects, such as the risk of lower-than-forecast revenue or stranded assets.

- (b) Please discuss the possibility of insuring against the risk of lower-than-forecast revenue from expansion projects.
- (c) What would Enbridge require as a premium to assume all of the risks from lower-than-forecast revenue from expansion projects? Please provide both a general answer and an example in relation to one specific project that is under consideration.
- (d) Please list and discuss all the insurance held by Enbridge in relation to its regulated businesses.
- (e) Does Enbridge hold any insurance premiums that provide a hedge against (i) gas price changes or (ii) carbon price changes? If yes, please describe.

Interrogatory #4

Reference: Exhibit A, Tab 2, Schedule 1, Page 2

Questions:

- (a) Please complete the following table describing how and to whom responsibility for revenue shortfalls and cost overruns would be allocated as between Enbridge's shareholders, current Enbridge customers, and new customers served by the project in question.

Risk Responsibility Matrix				
	Cost Overrun Arising During Rate Stabilization Period (RSP)	Cost Overrun Arising After RSP	Revenue Shortfall Arising During RSP	Revenue Shortfall Arising After RSP
Community Expansion Project				
Small Main Extension Projects				
Customer Attachment Project				
Development Project				

- (b) Please complete the following table describing how and to whom the benefit of revenue excesses over forecast and cost underspending versus forecast would be allocated as between Enbridge's shareholders, current Enbridge customers, and new customers served by the project in question:

Benefit Matrix				
	Cost Overrun Arising During Rate Stabilization Period (RSP)	Cost Overrun Arising After RSP	Revenue Shortfall Arising During RSP	Revenue Shortfall Arising After RSP
Community Expansion Project				

Small Main Extension Projects				
Customer Attachment Project				
Development Project				

Interrogatory #5

Reference: Exhibit B, Tab 1, Schedule 1, Plus Appendix, Page 7

Preamble: In EB-2019-0188, Exhibit I.ED.4, Enbridge said:

A provision for future abandonment costs is included in OEB approved gas distribution rates and is collected in the asset depreciation rate. Future abandonment costs charged to earnings through the depreciation expense are recorded as a liability on the Enbridge Gas financial statements and are collected from all ratepayers. Depending on the circumstances, the costs could be charged to ratepayers in different manners, such as through higher net salvage rates included within depreciation rates and provisions included within rates, for a period of time leading up to and or after the abandonment. While less likely, it is also possible that the pipe retirement and abandonment could be treated as an extraordinary retirement, and a loss could be included within rates.

Questions:

- (a) If a project funded by a surcharge becomes stranded because customers convert away from natural gas, who would be responsible to pay the abandonment costs? All Ontario gas ratepayers?
- (b) How much would it cost to safely cease operations of the all the approved community expansion projects under consideration or development if they were no longer economic and a decision was made to cease operations and abandon the pipe?
- (c) Please describe in detail and compare how the Ontario Energy Board and the Canadian Energy Regulator regulate abandonment costs. Please compare the magnitude of abandonment amounts that must be set aside for each.
- (d) How much abandonment funding would be required according to the formula used by the Canadian Energy Regulator for (a) a sample community expansion project and (b) all community expansion projects under consideration and development.
- (e) Enbridge has said that “abandonment costs [are] included in OEB approved gas distribution rates and [are] collected in the asset depreciation rate.” Please indicate the amount forecast to be collected for each of the community expansion projects under consideration or development as of 2030.
- (f) Enbridge has said that “abandonment costs [are] included in OEB approved gas distribution rates and [are] collected in the asset depreciation rate.” Please indicate the amount forecast to be collected for each of the community expansion projects that have been approved today as of 2030.

Interrogatory #6

Question:

- (a) Is Enbridge open to using the TCS or proposing a model similar to the TCS to help defray the upfront cost of a heat pump installation or district energy project in lieu of a (i) small main extension project, (ii) customer attachment project, and (iii) development project? Please explain and provide details.
- (b) Please confirm that in EB-2019-0188, Exhibit I.ED.9(d), Enbridge indicated that the annual cost of heating with a heat pump would be lower than the cost of natural gas heating if the surcharge was considered. Please also provide the cost difference and underlying calculations.
- (c) Please comment on the proposition that existing Enbridge ratepayers would benefit from Enbridge assisting with the expansion of heat pumps or district energy in lieu of gas expansion because the former option would create fewer risks to existing customers associated with climate change and changing energy use patterns.
- (d) Please comment on the proposition that existing Enbridge ratepayers would benefit from Enbridge assisting with the expansion of heat pumps or district energy in lieu of gas expansion because the former option would reserve a greater proportion of the renewable natural gas for existing customers seeking to decarbonize.
- (e) Please discuss the relative financial risks associated with climate change as between (i) a gas expansion project and (ii) an electricity-based heat pump or district energy project. Please address the potential risks to new and existing customers in relation to possible future stranded assets associated with decarbonization.
- (f) Does Enbridge encourage developers of new buildings to install gas heating and equipment? Please file Enbridge's promotional and marketing material relating to new construction.
- (g) Does Enbridge encourage developers of new buildings to consider the option of non-gas heating, such as heat pumps or district energy, as a form of demand side management? Please explain why and provide details. If illustrative cost comparisons are provided, please file those.
- (h) Please explain the timeline and steps whereby the gas grid is expanded to a new residential development.
- (i) Pursuant to an Order in Council dated September 8, 2009, please confirm that Enbridge is expressly authorized to own and operate assets that "would assist the Government of Ontario in achieving its goals in energy conservation and includes assets related to solar-thermal water and ground-source heat pumps."
- (j) Pursuant to an Order in Council dated September 8, 2009, please confirm that Enbridge is expressly allowed to carry out business activities that include owning and operating assets that "would assist the Government of Ontario in achieving its goals in energy conservation and includes assets related to solar-thermal water and ground-source heat pumps."
- (k) Please file the Order in Council and directive discussed above.

Interrogatory #7

Reference: Exhibit B, Tab 1, Schedule 1, Plus Appendix, Page 9

Question:

- (a) Enbridge states that the TCS will “attach to the property (not the owner of the property).” Please explain the legal mechanism involved. Is the TCS attached to the property or the gas utility bill?
- (b) If a business goes bankrupt and its property remains vacant (e.g. an old industrial site), what recourse would Enbridge have to collect a TCS? Please discuss the likelihood and timing for recovery.
- (c) If a property owner converts away from natural gas, please explain the legal mechanisms available to Enbridge to collect the remaining sum owed on the TCS.
- (d) If a property subject to a TCS is sold and the new owner converts away from natural gas, please explain the legal mechanisms available to Enbridge to collect the remaining sum owed on the TCS.